

Q2 2008

Management's Discussion And Analysis
BELZBERG TECHNOLOGIES INC.
For The Three and Six Months Ended June 30, 2008

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the unaudited consolidated interim financial statements and related notes for the quarter ended June 30, 2008 of Belzberg Technologies Inc. (referred to in this MD&A as the "Company", "Belzberg", "our" and "we") and the MD&A, audited consolidated financial statements and the notes thereto for the year ended December 31, 2007. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The reporting currency in this MD&A is Canadian dollars. Additional information relating to the Company, including the Company's Annual Information Form is on SEDAR at www.sedar.com. The MD&A is as of August 1, 2008.

Caution regarding forward-looking statements

This MD&A contains certain forward-looking statements that reflect Management's expectations, estimates, forecasts and projections about future performance, opportunities for growth and the Company's future plans and intentions. Forward-looking statements are typically identified by words such as "believe", "expect", "may", "intend" and "plan." Forward-looking statements involve significant risk, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by these forward-looking statements. Some of the factors that could cause such differences include: the regulations governing the securities industry, competition for global trading solutions and intelligent order routing systems, customer dependence, ability to attract and retain key employees, technological changes, uncertainty of the ability to protect proprietary technology and product and service liability. The preceding list is not exhaustive of all possible factors. Other factors could also affect the Company's results. For a more detailed discussion of these factors refer to the section titled "Risks and Uncertainties" in the Company's annual MD&A filed on Sedar. All factors should be considered carefully when making decisions with respect to the Company and undue reliance should not be placed on the Company's forward-looking statements. The Company does not undertake to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Nature of Business

Belzberg Technologies Inc. is a leading provider of exchange connectivity, trade execution, order management and routing software for the financial industry. In addition to its technology, through one of its wholly owned subsidiaries, an agency-only broker-dealer, the Company offers low cost trade execution. The Company's customers, who include both broker-dealers and their customers, use Belzberg trading software to buy and sell equities and stock options on a variety of stock exchanges, electronic markets known as ECNs, and NASDAQ market makers. Belzberg products enable traders to execute and manage large volumes of transactions at high speed, and with great reliability and security.

Major financial institutions, broker-dealers, buy-side institutions, banks, and others use all or a subset of Belzberg trading products to automate their order execution, basket trading, arbitrage, retail order management, and real-time inventory management, as demanded by each situation.

In September, 2002, Belzberg announced that its wholly owned subsidiary, Electronic Brokerage Systems, LLC, had become a member of the National Securities Clearing Corporation (“NSCC”). In November, 2002, the Company announced that Electronic Brokerage Systems, LLC also became a member of the New York Stock Exchange (“NYSE”). These memberships allowed the Company to become self-clearing, which significantly reduced the Company’s clearing costs.

In 2001, the Company expanded its business by acquiring a broker-dealer that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

In 2006, the Company acquired the business and assets of a direct access New York floor broker.

Overview

Highlights of Second Quarter 2008 Results

- Loss of \$0.4 million or (\$0.03) per diluted share for the second quarter of 2008, compared to a profit of \$1.7 million or \$0.11 per diluted share in the same year-ago quarter;
- Revenue decreased by 19% to \$9.0 million for the second quarter of 2008, down from \$11.1 million in the same year-ago quarter;
- Cash flow used for operations of \$0.6 million for the second quarter of 2008 compared to cash flow generated by operations of \$1.7 million in the same year-ago quarter;
- Working capital position of \$28.9 million at June 30, 2008 as compared to \$29.3 million at March 31, 2008.

The second quarter of 2008 proved to be a challenging quarter for the Company with revenue declining by 19% and expenses rising over the prior year. Our floor brokerage operation experienced a 59% decline in revenue mainly due to a customer that ceased trading in the first quarter of 2008. The floor brokerage also experienced a loss of two smaller customers year over year due to merger and consolidation in the industry. Our electronic options business experienced declining revenues mainly as a result of receiving lower pricing on certain of the options orderflow from a specialist and from the various option exchanges. Our U.S. equity business experienced a 23% decline in revenues again mainly from the loss of a high volume customer that did not trade in Q2’08. At the end of Q2’08 we signed a new high volume equity customer that may replace some of the lost business as they ramp up their trading in the future. The Company has also hired a number of new salespeople that are currently generating new sales leads and that will hopefully be accretive to our revenue growth in the future.

On the expense side we experienced higher compensation costs from payroll increases and from hiring additional salespeople while we have not yet seen the benefit of additional revenues from the new sales hires. Telecommunication costs have also increased as we have had to significantly increase bandwidth to handle increased messaging and to handle ever increasing amounts of datafeed especially on the options side. We also experienced increased datafeed costs from the various exchanges from pricing increases and from connecting to the new Pure exchange. Our administration and general expenses have also increased mainly due to an additional provision for doubtful accounts, recruiting fees for new sales hires and amounts paid to various external consultants for a compensation

study, updates to transfer pricing documentation and for internal control testing and documentation for 52-109 compliance.

The Company has invested in technology and human resources during the second quarter in preparation for its full clearing business for which it is still awaiting approval from the regulators. The Company expects to be approved for full clearing during the third quarter.

The Company's financial position remained positive at June 30, 2008 with cash and cash equivalents of \$22.6 million (March 31, 2008 - \$23.7 million) and working capital of \$28.9 million (March 31, 2008 - \$29.3 million).

Key Performance Indicators

Management regularly reviews the following key performance indicators to measure our progress and success:

- Average daily volumes of U.S. equity order flow and electronic option contracts executed;
- Average daily revenue of U.S. equity order flow and electronic option contracts executed;
- Days sales outstanding.

Management analyzes the average daily volumes in relation to volumes traded on major exchanges and ECN's including but not limited to the New York Stock Exchange, NASDAQ, Chicago Board of Options Exchange, International Securities Exchange and the Options Clearing Corporation to determine the strength of the business.

Management reviews average daily revenues to assist it in determining customer mix for forecasting the profitability of the Company.

Management reviews days sales outstanding of its receivables on a quarterly basis as a tool to improve its cash flow from operations.

Results of Operations

Revenues

Total Revenues for the three months ended June 30,

(\$000's)	2008			2007		
	Canada	USA	Total	Canada	USA	Total
Transaction fees - core						
Equity order flow	\$ 510	\$ 2,647	\$ 3,157	\$ 689	\$ 3,453	\$ 4,142
Electronic option and futures contracts	5	2,990	2,995	2	3,138	3,140
Total transaction fees - core	515	5,637	6,152	691	6,591	7,282
Transaction fees - brokerage	-	677	677	-	1,638	1,638
Subscription fees	1,662	125	1,787	1,715	149	1,864
Other revenue	264	94	358	218	104	322
Total	\$ 2,441	\$ 6,533	\$ 8,974	\$ 2,624	\$ 8,482	\$ 11,106

Total Revenues

Total revenue decreased by 19% from \$11.1 million for the quarter ended June 30, 2007 to \$9.0 million for the quarter ended June 30, 2008. In the second quarter of 2008, the Company generated approximately 73% (second quarter of 2007 - 76%) of its revenues in the United States and 27% (second quarter of 2007 - 24%) of its revenues in Canada. The Company expects that revenues from the United States will increase at a greater rate than revenues from Canada as the direct sales force focuses on attracting order flow revenue from U.S. based customers.

Transaction Fee Revenue – Core

(i) Equity Order Flow

Transaction fee revenue (including the recovery of pass through costs) from the routing of equity order flow through the Belzberg Gateway decreased by 24% to \$3.2 million in the second quarter of 2008 from \$4.1 million in the same year-ago quarter. U.S. equity order flow revenue decreased by 23% in the second quarter year over year. Approximately \$0.4 million of the U.S. equity revenue decline resulted from lower pass-through revenues on which the Company makes no mark-up. A strengthening Canadian dollar accounted for approximately \$0.1 million of the U.S. equity revenue decline excluding pass-throughs. The balance of the year over year U.S. equity revenue decline came mainly from the loss of a high volume customer that did not trade in Q2'08. The Company also experienced a year over year decline in its NY floor revenues although the expenses associated with these revenues declined to the same extent with little effect to the profitability. The total volume of shares executed by our wholly owned U.S. broker-dealer increased by approximately 17% year over year but most of the increase was executed by very low commission rate customers. The Company continues to experience pricing pressure in the U.S. equity markets as a result of competition from electronic execution providers and traditional broker-dealers.

Canadian equity order flow revenue decreased by 26% in the second quarter year over year mainly as a result of the loss of buy-side volumes from existing customers and due to a certain customer internalizing their orderflow in Q2'08.

The following table summarizes key performance indicators relating to our U.S. equity order flow:

U.S Equity Order Flow	Three months ended June 30,		change	% change
	2008	2007		
Total trading volume (in billions of shares)	2.37	2.02	0.3	17%
Avg trading volume per day (in millions of shares)	37.1	32.1	5.0	15%
Avg transaction fee revenue per trading day (in thousands CDN\$)	\$ 41.4	\$ 54.8	\$ (13.4)	(25)%
Avg transaction fee revenue per share	\$ 0.001117	\$ 0.001707	\$ (0.000590)	(35)%
U.S market trading days	64	63	1	

(ii) Electronic Options and Futures Contracts

Transaction fee revenue (including the recovery of pass through costs) from the electronic execution of options and futures contracts through the Belzberg Gateway decreased by 5% to \$3.0 million in the second quarter of 2008 from \$3.1 million in the same year-ago quarter. A strengthening Canadian dollar adversely affected options and futures contracts execution revenue on a year over year basis by approximately \$0.2 million while pass-through revenues on which the Company makes no mark-up increased \$0.2 million. Although the total volume of our electronic options contracts executed increased by 16% on a year over year basis, we experienced a decrease in the average transaction fee revenue per contract as a result of receiving lower pricing and revenue for certain orderflow from the various options exchanges and from a specialist.

The following table summarizes key performance indicators relating to our U.S. electronic options contracts executed:

U.S Electronic Options Contracts Executed	Three months ended June 30,		change	% change
	2008	2007		
Total trading volume (in millions of contracts)	13.8	11.9	1.9	16%
Avg trading volume per day (in thousands of contracts)	216.2	189.5	26.7	14%
Avg transaction fee revenue per trading day (in thousands CDN\$)	\$ 46.8	\$ 49.8	\$ (3.0)	(6)%
Avg transaction fee revenue per contract	\$ 0.216	\$ 0.263	\$ (0.046)	(18)%
U.S market trading days	64	63	1	

Transaction Fee Revenue – Brokerage

Transaction fee revenue from the brokerage segment (including the recovery of pass through costs) decreased by 59% to \$0.7 million in the second quarter of 2008 from \$1.6 million in the same year-ago quarter. Approximately \$0.4 million of the Brokerage revenue decline resulted from lower pass-through revenues on which the Company makes no mark-up. The balance of the Brokerage revenue decline resulted mainly from the loss of a large customer that suspended trading during the first quarter of 2008 but which may resume trading in the future. The Company also lost two smaller customers year over year due to merger and consolidation in the industry. A strengthening Canadian dollar

adversely affected the floor brokerage segment revenue on a year over year basis by approximately \$55,000.

The following table summarizes key performance indicators relating to our U.S. floor brokerage options contracts executed:

U.S Floor Options Contracts Executed	Three months ended June 30,		change	% change
	2008	2007		
Total trading volume (in millions of contracts)	3.2	6.1	(2.9)	(48)%
Avg trading volume per day (in thousands of contracts)	50.1	97.5	(47.4)	(49)%
Avg transaction fee revenue per trading day (in thousands CDN\$)	\$ 10.6	\$ 26.0	\$ (15.4)	(59)%
Avg transaction fee revenue per contract	\$ 0.211	\$ 0.267	\$ (0.056)	(21)%
U.S market trading days	64	63	1	

Subscription Fee Revenue

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for connectivity to the Belzberg Gateway on a per terminal or other contracted basis, decreased by 4% to \$1.8 million in the second quarter of 2008 from \$1.9 million in the same year-ago quarter. This decrease resulted mainly from the cancellation of terminals and certain products by two customers.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and revenue from connectivity to the Belzberg Gateway, increased by 11% to \$0.36 million in the second quarter of 2008 from \$0.32 million in the same year-ago quarter. The increase related mainly to higher information distribution revenues as a result of new datafeeds related to the Pure exchange which was offset by lower installation revenues.

Revenues

Total Revenues for the six months ended June 30,

(\$000's)	2008			2007		
	Canada	USA	Total	Canada	USA	Total
Transaction fees - core						
Equity order flow	\$ 1,302	\$ 5,632	\$ 6,934	\$ 1,440	\$ 6,911	\$ 8,351
Electronic option and futures contracts	12	5,621	5,633	4	6,008	6,012
Total transaction fees - core	1,314	11,253	12,567	1,444	12,919	14,363
Transaction fees - brokerage	-	1,657	1,657	-	3,215	3,215
Subscription fees	3,391	249	3,640	3,439	310	3,749
Other revenue	502	198	700	463	214	677
Total	\$ 5,207	\$ 13,357	\$ 18,564	\$ 5,346	\$ 16,658	\$ 22,004

Total Revenues

Total revenue decreased by 16% from \$22.0 million for the six months ended June 30, 2007 to \$18.6 million for the six months ended June 30, 2008. The Company generated approximately 72% (six months of 2007 - 76%) of its revenues in the United States and 28% (six months of 2007 - 24%) of its revenues in Canada.

Transaction Fee Revenue – Core

(i) Equity Order Flow

Transaction fee revenue (including the recovery of pass through costs) from the routing of equity order flow through the Belzberg Gateway decreased by 17% to \$6.9 million in the six months of 2008 from \$8.4 million in the same year-ago period. U.S. equity order flow revenue decreased by 18% in the six-months year over year. Approximately \$1.1 million of the U.S. equity revenue decline in the six-month period resulted from lower pass-through revenues on which the Company makes no mark-up. The Company also experienced a year over year decline in its NY floor revenues although the expenses associated with these revenues declined to the same extent with little effect to the profitability. A strengthening Canadian dollar accounted for approximately \$0.4 million of the U.S. equity revenue decline excluding pass-throughs. The balance of the year over year U.S. equity revenue decline came mainly from the loss of a high volume customer that did not trade in Q2'08. The total volume of shares executed by our wholly owned U.S. broker-dealer increased by approximately 44% for the six month period year over year although much of the volume increase was executed by very low commission rate customers. The Company continues to experience pricing pressure in the U.S. equity markets as a result of competition from electronic execution providers and traditional broker-dealers.

Canadian equity order flow revenue decreased by 10% in the six-month period year over year mainly as a result of the loss of buy-side volumes from existing accounts and the loss of an account at the end of Q1'08.

The following table summarizes key performance indicators relating to our U.S. equity order flow:

U.S Equity Order Flow	Six months ended June 30,		change	% change
	2008	2007		
Total trading volume (in billions of shares)	5.6	3.9	1.7	44%
Avg trading volume per day (in millions of shares)	45.2	31.6	13.6	43%
Avg transaction fee revenue per trading day (in thousands CDN\$)	\$ 45.1	\$ 55.7	\$ (10.7)	(19)%
Avg transaction fee revenue per share	\$0.000998	\$ 0.001764	\$ (0.000766)	(43)%
U.S market trading days	125	124	1	

(ii) Electronic Options and Futures Contracts

Transaction fee revenue (including the recovery of pass through costs) from the electronic execution of options and futures contracts through the Belzberg Gateway decreased by 6% to \$5.6 million in the six months of 2008 from \$6.0 million in the same year-ago period. A strengthening Canadian dollar accounted for approximately \$0.5 million of the option revenue decline while pass-through revenues on which the Company makes no mark-up increased \$0.3 million. Although the total volume of our electronic options contracts executed increased by 12% on a year over year basis for the six month period, we experienced a decrease in the average transaction fee revenue per contract as a result of receiving lower pricing and revenue for certain orderflow from the various options exchanges and from a specialist.

The following table summarizes key performance indicators relating to our U.S. electronic options contracts executed:

U.S Electronic Options Contracts Executed	Six months ended June 30,		change	% change
	2008	2007		
Total trading volume (in millions of contracts)	26.2	23.4	2.9	12%
Avg trading volume per day (in thousands of contracts)	210.0	188.4	21.6	11%
Avg transaction fee revenue per trading day (in thousands CDN\$)	\$ 45.1	\$ 48.5	\$ (3.4)	(7)%
Avg transaction fee revenue per contract	\$ 0.215	\$ 0.257	\$ (0.043)	(17)%
U.S market trading days	125	124	1	

Transaction Fee Revenue – Brokerage

Transaction fee revenue from the brokerage segment (including the recovery of pass through costs) decreased by 49% to \$1.7 million in the six months of 2008 from \$3.2 million in the same year-ago period. Approximately \$0.6 million of the Brokerage revenue decline in the six-month period resulted from lower pass-through revenues on which the Company makes no mark-up. The balance of the Brokerage revenue decline resulted mainly from the loss of a large customer that suspended trading during the first

quarter of 2008 but which may resume trading in the future. The Company also lost two smaller customers year over year due to merger and consolidation in the industry.

The following table summarizes key performance indicators relating to our U.S. floor brokerage options contracts executed:

U.S Floor Options Contracts Executed	Six months ended June 30,		change	% change
	2008	2007		
Total trading volume (in millions of contracts)	6.8	12.0	(5.2)	(43)%
Avg trading volume per day (in thousands of contracts)	54.5	96.8	(42.4)	(44)%
Avg transaction fee revenue per trading day (in thousands CDN\$)	\$ 13.2	\$ 25.9	\$ (12.7)	(49)%
Avg transaction fee revenue per contract	\$ 0.243	\$ 0.268	\$ (0.025)	(9)%
U.S market trading days	125	124	1	

Subscription Fee Revenue

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for connectivity to the Belzberg Gateway on a per terminal or other contracted basis, decreased by 3% to \$3.64 million in the six months of 2008 from \$3.75 million in the same year-ago period. This decrease resulted mainly from the cancellation of terminals and certain products by two customers.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and revenue from connectivity to the Belzberg Gateway, increased by 3% to \$0.7 million in the six months of 2008 from \$0.68 million in the same year-ago period. The increase related mainly to higher information distribution revenues as a result of new datafeeds related to the Pure exchange which was offset by (i) lower installation revenues and (ii) the cancellation by customers of third party license fees on which the Company made little markup.

Expenses (Income)

Expenses (Income) for the three months ended June 30,

(\$000's)	Core 2008	Brokerage 2008	Total 2008	% of Revenues	Core 2007	Brokerage 2007	Total 2007	% of Revenues
Exchange, clearing and brokerage fees	\$ 2,890	\$ 246	\$ 3,136	35 %	\$ 2,846	\$ 658	\$ 3,504	32 %
Compensation and related benefits	2,610	341	2,951	33 %	2,328	388	2,716	24 %
Telecommunication and datafeed services	1,608	54	1,662	19 %	1,512	42	1,554	14 %
Administrative and other expenses	1,265	151	1,416	16 %	1,066	41	1,107	10 %
Strategic process expenses	-	-	-	-	10	-	10	-
Amortization of capital assets	494	2	496	6 %	346	1	347	3 %
Amortization of intangible assets	16	-	16	-	16	-	16	-
Foreign exchange loss(gain)	36	22	58	1 %	102	241	343	3 %
Interest expense	-	-	-	-	2	-	2	-
Interest income	(143)	(6)	(149)	(2)%	(171)	(24)	(195)	(2)%
	\$ 8,776	\$ 810	\$ 9,586	107%	\$ 8,057	\$ 1,347	\$ 9,404	85%

Expenses (Income) for the six months ended June 30,

(\$000's)	Core 2008	Brokerage 2008	Total 2008	% of Revenues	Core 2007	Brokerage 2007	Total 2007	% of Revenues
Exchange, clearing and brokerage fees	\$ 4,800	\$ 656	\$ 5,456	29 %	\$ 5,458	\$ 1,276	\$ 6,734	31 %
Compensation and related benefits	4,998	733	5,731	31 %	4,723	794	5,517	25 %
Telecommunication and datafeed services	3,117	99	3,216	17 %	2,997	82	3,079	14 %
Administrative and other expenses	2,307	202	2,509	14 %	2,235	87	2,322	11 %
Strategic process expenses	-	-	-	-	98	-	98	-
Amortization of capital assets	977	4	981	5 %	674	3	677	3 %
Amortization of intangible assets	32	-	32	-	32	-	32	-
Foreign exchange loss(gain)	200	(83)	117	1 %	259	272	531	2 %
Interest expense	-	-	-	-	4	3	7	-
Interest income	(321)	(15)	(336)	(2)%	(334)	(42)	(376)	(2)%
	\$ 16,110	\$ 1,596	\$ 17,706	95%	\$ 16,146	\$ 2,475	\$ 18,621	85%

Exchange, Clearing and Brokerage Fees

Exchange, clearing and brokerage fees are comprised of:

- (i) the transaction fees we pay to the various exchanges, ECN's and clearing organizations for the execution and clearing of our customer equity and option orders;
- (ii) the commissions we pay to other brokers and specialists for execution services and/or for the introduction of orderflow;
- (iii) the cost of our exchange and clearing organization memberships;

- (iv) the cost of seat leases, trading licenses and other brokerage fees;
- (v) the cost of any trading errors that may arise.

Exchange, clearing and brokerage fees decreased by 11% to \$3.1 million in the second quarter of 2008 from \$3.5 million in the same year-ago quarter. The decrease resulted mainly from:

- (i) lower equity exchange fees in the core business of approximately \$0.4 million mainly as a result of lower volumes from a certain customer and that customer electing to receive exchange fees directly from the exchanges in the current year instead of being passed through from the Company as was done in the prior year. Equity exchange fees also decreased as a result of certain customers generating rebates that did not occur in the second quarter of the prior year. The above decreases were partially offset by higher NYSE exchange fees from higher exchange fee pricing implemented on the NYSE and from a new customer generating NYSE exchange fees .
- (ii) lower option exchange fees in the brokerage business of approximately \$0.4 million as a result of the significantly reduced volumes of option contracts executed by our floor brokerage segment. This decrease was offset by an increase in option exchange fees in the core business of approximately \$0.2 million from higher volumes executed and from option exchanges increasing fees for removing liquidity and for cancel fees.
- (iii) lower clearing fees in the core business of approximately \$0.1 million as a result of reduced pricing from the National Securities Clearing Corporation effective in the 2008 year.

The above decreases were offset by (i) higher commissions of \$0.1 million we paid to other brokers for execution services and for the introduction of business, (ii) a trading error of \$0.1 million incurred in the current year not incurred in the prior year, (iii) higher third party technology fees of \$63,000 for our clearing system and (iv) higher seat lease/trading licence costs of \$40,000.

Exchange, clearing and brokerage fees decreased by 19% to \$5.5 million in the six months of 2008 from \$6.7 million in the same year-ago period. The increase resulted mainly from:

- (i) lower equity exchange fees in the core business of approximately \$1.1 million mainly as a result of lower volumes from a certain customer and that customer electing to receive exchange fees directly from the exchanges in the current year instead of being passed through from the Company as was done in the prior year. Equity exchange fees also decreased as a result of certain customers generating rebates that did not occur in the second quarter of the prior year. The above decreases were partially offset by higher NYSE exchange fees from higher exchange fee pricing implemented on the NYSE and from a new customer generating NYSE exchange fees.
- (ii) lower option exchange fees in the brokerage business of approximately \$0.6 million as a result of the significantly reduced volumes of option contracts executed by our floor brokerage segment. This decrease was offset by an increase in option exchange fees in the core business of approximately \$0.4 million from higher volumes executed and from option exchanges increasing fees for removing liquidity and for cancel fees.

- (iii) lower clearing fees in the core business of approximately \$0.3 million as a result of a larger refund received in 2008 (\$0.2 million) and also from reduced pricing from the National Securities Clearing Corporation effective in the 2008 year.

The above decreases were offset by (i) higher commissions of \$0.2 million we paid to other brokers for execution services and for the introduction of business, (ii) trading errors of \$0.2 million incurred in the current year not incurred in the prior year, (iii) higher third party technology fees of \$0.1 million for our clearing system and (iv) higher seat lease/trading licence costs of \$50,000.

Compensation and Related Benefits

Compensation and related benefits comprise the payroll cost of our headcount, incentive compensation to employees and any stock based compensation related to the grant of stock options to employees and directors.

Compensation and related benefits increased by 9% to \$3.0 million in the second quarter of 2008 from \$2.7 million in the same year-ago quarter. The year over year increase resulted mainly from (i) payroll increases that were granted at the beginning of the current year; (ii) additional seven salespeople that were hired in New York and (iii) additional vacation expense accrual of \$40,000.

The above increases were offset by a strengthening CDN\$ that reduced US\$ compensation reported in CDN\$.

Our average headcount in the second quarter of 2008 was 107 employees as compared to 100 employees in the same year-ago quarter.

Compensation and related benefits increased by 4% to \$5.7 million in the six months of 2008 from \$5.5 million in the same year-ago period. The year over year increase resulted mainly from (i) payroll increases that were granted at the beginning of the current year; (ii) additional seven salespeople that were hired in New York and (iii) additional vacation expense accrual of \$40,000.

Telecommunication and Datafeed Services

Telecommunication services comprise of the cost of the communication lines to connect our customers and our offices to each other and to the various exchanges, ECN's and datafeed suppliers. Datafeed service costs comprise of the cost of receiving datafeeds from the various exchanges and other providers to redistribute to our customers.

Telecommunication and datafeed services increased by 7% to \$1.7 million in the second quarter of 2008 from \$1.6 million in the same year-ago quarter. Datafeed and market access services increased by approximately \$57,000 mainly as a result of:

- (i) Increased datafeed costs from the TSX of \$16,000.
- (ii) New datafeed and gateway access costs for the Pure Exchange of \$30,000 (recoverable from customers).
- (iii) Additional cost of Bloomberg terminals for an upstairs trading desk of \$10,000.
- (iv) Additional cost for smart router license fees of \$17,000.

These increases were offset by datafeed services of \$18,000 that were cancelled. A strengthening CDN\$ also reduced datafeed costs year over year.

Telecommunication costs increased by approximately \$50,000 mainly as a result of:

- (i) Connections to customers increased by \$60,000 (mostly recoverable) offset by:
- (ii) Connections to market data lines and trading connections decreased by \$10,000 year over year mostly as a result of a strengthening CDN\$. The Company also renegotiated certain contracts for internet connections and cancelled certain connections that were not being used for some cost savings.

Telecommunication and datafeed services increased by 4% to \$3.2 million in the six-month period of 2008 from \$3.1 million in the same year-ago period. Datafeed and market access services increased in the six-month period by approximately \$114,000 mainly as a result of:

- (i) Increased datafeed costs from the TSX of \$32,000.
- (ii) New datafeed and gateway access costs for the Pure Exchange of \$60,000 (recoverable from customers).
- (iii) Additional cost of Bloomberg terminals for an upstairs trading desk of \$20,000.
- (iv) Additional cost for smart router license fees of \$38,000.

These increases were offset by datafeed services of \$36,000 that were cancelled. A strengthening CDN\$ also reduced datafeed costs year over year.

Telecommunication costs increased in the six-month period by approximately \$22,000 mainly as a result of:

- (i) Connections to customers increased by \$100,000 (mostly recoverable) offset by:
- (ii) Connections to market data lines and trading connections decreased by \$80,000 year over year mostly as a result of a strengthening CDN\$. The Company also renegotiated certain contracts for internet connections and cancelled certain connections that were not being used for some cost savings.

Administrative and Other Expenses

Administrative and other expenses comprise of our occupancy costs, professional fees for legal and audit services, insurance costs and other office and general expenses.

Administrative and other expenses increased by 28% to \$1.4 million in the second quarter of 2008 from \$1.1 million in the same year-ago quarter. The increase resulted mainly from:

- (i) An additional doubtful debt provision of \$100,000 in our floor brokerage operation as a result of a past due account and due to a current challenging financial environment.

- (ii) Higher consulting fees of \$67,000 made up of an executive compensation study, transfer pricing study update, internal control testing performed for 52-109 compliance and installation of third party software.
- (iii) Recruiting fees of \$34,000 for New York sales hires
- (iv) Higher travel expenses of \$48,000 for additional conferences attended and additional salespeople travel.
- (v) Higher office and general expenses of \$63,000 for various items.
- (vi) Higher bank charges of \$22,000 for the new clearing facility fees.
- (vii) Increased software and hardware maintenance fees of \$29,000

These increases were offset by lower advertising and promotional costs of \$34,000 and lower legal fees of \$10,000.

Administrative and other expenses increased by 8% to \$2.5 million in the six months of 2008 from \$2.3 million in the same year-ago period. For the six-month period the increases resulted mainly from:

- (i) An additional doubtful debt provision of \$100,000 in our floor brokerage operation as a result of a past due account and due to a current challenging financial environment.
- (ii) Higher consulting fees of \$67,000 made up of an executive compensation study, transfer pricing study update, internal control testing performed for 52-109 compliance and installation of third party software.
- (iii) Recruiting fees of \$66,000 for New York sales hires.
- (iv) Higher travel expenses of \$55,000 for additional conferences attended and additional salespeople travel.
- (v) Higher office and general expenses of \$137,000 mostly for conference attendance fees, office maintenance and capital and franchise tax fees.
- (vi) Higher bank charges of \$40,000 for the new clearing facility fees.
- (vii) Increased software and hardware maintenance fees of \$40,000

These increases were offset by lower advertising and promotional costs of \$54,000, lower legal fees of \$82,000 mostly related to patents, lower occupancy costs of \$63,000 from operating expense recoveries and from termination of a short-term office space lease and lower costs of \$114,000 paid to a third party in 2007 for development of a smart router

Strategic Process Expenses

On August 9, 2006, the Company announced that its Board of Directors had formed a special committee ("Special Committee") of its independent directors with a mandate of pursuing strategic alternatives to maximize the value of the Company's common shares, including seeking proposals involving the purchase or other acquisition of all of the Company's outstanding common shares.

On September 19, 2007, the Company's Board of Directors ended the strategic process as it believed that there were no indications of interest that reflected a value that was fair and

equitable to the Company's shareholders. The Company may revisit a similar process at some point in the future.

The strategic process expenses include the legal, investment banker and other costs related to the strategic process announced.

Amortization of Capital Assets

Amortization of capital assets increased by 43% in the second quarter of 2008 to \$0.5 million from \$0.3 million in the same year-ago quarter.

Amortization of capital assets increased by 45% in the six month period of 2008 to \$1.0 million from \$0.7 million in the same year-ago period.

The increased amortization of capital assets relates mainly to the purchase of hardware and software related to the new clearing initiative and to datacentre improvements made in the 2008 year. (Refer to investing activities below).

Amortization of Intangible Assets

Amortization of the intangible asset relates to the amortization of the portion of the Nandra purchase price allocated to a customer list. The intangible is being amortized on a straight line basis over 5 years.

Foreign Exchange Loss (Gain)

The Company uses foreign currency futures and options contracts to manage a portion of its exposure to fluctuations in foreign exchange rates. The Company recognizes changes in the fair value of the derivative instruments into income each period.

The Company incurred a net foreign exchange loss of \$58,000 (of which \$22,000 occurred in the brokerage segment and \$36,000 occurred in the core segment) for the quarter ended June 30, 2008 as a result of a strengthening Canadian dollar. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations. As at June 30, 2008, the Company had outstanding foreign exchange futures contracts for the purchase of CDN\$13.0 million at U.S.\$0.94 maturing in September 2008. The unrealized loss on these outstanding futures contracts was approximately \$0.2 million for the three-month period ended June 30, 2008. The Company also realized gains of approximately \$0.2 million for the three-month period ended June 30, 2008 on foreign exchange option contracts that were settled in the second quarter of 2008.

For the six-month period ended June 30, 2008 the Company incurred a net foreign exchange loss of \$0.1 million (of which a gain of \$0.1 million occurred in the brokerage segment and a loss of \$0.2 million occurred in the core segment). Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations. For the six-month period ended June 30, 2008 the Company realized losses of approximately \$0.3 million on foreign exchange option contracts that were settled and had unrealized losses of approximately \$0.2 million on futures contracts that were not settled. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations.

The Company incurred a net foreign exchange loss of \$0.3 million for the quarter ended June 30, 2007 as a result of a significant strengthening in the Canadian dollar. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations. As at June 30, 2007, the Company had outstanding foreign exchange futures

contracts for the purchase of CDN\$9.2 million at U.S.\$0.9242 maturing in December 2007. The unrealized gain on these outstanding futures contracts was approximately \$0.2 million for the three-month period ended June 30, 2007. The Company realized gains of approximately \$0.6 million for the three-month period ended June 30, 2007 on foreign exchange option contracts that were settled in the second quarter of 2007. The above gains were netted against translation losses that occurred in the second quarter.

For the six-month period ended June 30, 2007 the Company incurred a net foreign exchange loss of \$0.5 million as a result of a significant strengthening in the Canadian dollar. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations. For the six-month period ended June 30, 2007 the Company realized gains of approximately \$0.6 million on foreign exchange option contracts that were settled and had unrealized gains of approximately \$0.2 million on futures contracts that were not settled. The above gains were netted against translation losses that occurred in the six-month period.

Interest Expense

Interest expense decreased by \$2,000 to \$nil in the second quarter of 2008 from \$2,000 in the same year-ago quarter. The decrease resulted from the maturity of capital lease obligations resulting in a lower interest expense.

Interest expense decreased by \$7,000 to \$nil in the six months of 2008 from \$7,000 in the same year ago period. The decrease resulted from the maturity of capital lease obligations resulting in a lower interest expense.

Interest Income

Interest income decreased by \$46,000 to \$149,000 in the second quarter of 2008 from \$195,000 in the same year-ago quarter. This resulted mainly from lower yields on T/Bill and Bankers Acceptances (BA) investments.

Interest income decreased by \$40,000 to \$336,000 in the six months of 2008 from \$376,000 in the same year-ago period. This resulted mainly from lower yields on T/Bill and BA investments in the six month period year over year.

Income Taxes

For the three months ended June 30, 2008, the Company recorded a net income tax recovery of approximately \$0.2 million based upon its loss for the quarter by jurisdiction and a determination that the realization of certain tax assets, including available tax loss carryforwards and research and development tax pools, is more likely than not. For the six-month period ended June 30, 2008, the Company recorded a net income tax expense of \$0.2 million based upon its year to date profitability.

For the three months ended June 30, 2007, the Company reduced its valuation allowance from the 2006 fiscal year-end by approximately \$1.0 million (six-month period by approximately \$1.7 million) based upon a number of factors, including forecasted profitability for the Company and estimated taxable income by jurisdiction. This reduction in the valuation allowance offset the non-cash future income tax expense in the second quarter of 2007 arising from the utilization of tax benefits previously recognized. Any change in management's estimates could result in an additional income tax recovery or expense in the future.

Net Earnings (Loss)

The net loss for the quarter ended June 30, 2008 was \$0.4 million compared to net earnings of \$1.7 million for the same year-ago quarter. Diluted loss per share for the quarter ended June 30, 2008 was (\$0.03) per share compared to diluted earnings of \$0.11 per share for the same year-ago quarter.

The net earnings for the six months ended June 30, 2008 decreased to \$0.7 million from net earnings of \$3.4 million for the same year-ago period. Diluted earnings per share for the six months ended June 30, 2008, decreased to \$0.05 per share from diluted earnings of \$0.22 per share for the same year-ago period.

Subsequent Event

Subsequent to the end of the second quarter the Company reported that it incurred a \$0.8 million one-time pre-tax loss (approximately \$0.5 million after tax loss) due to an error in executing a hand-written, manually executed order for one of its clients, in its floor brokerage subsidiary on the floor of the CBOE. In addition to executing orders electronically, the floor-brokerage operation provides the service of manually executed, non-electronic trades for clients who require handling of special orders.

This trading error will impact the results of Belzberg's third quarter which ends September 30, 2008.

Additional risk management procedures and safe guards have been implemented which we believe should both substantially reduce the likelihood of similar errors occurring in the future and, if and when such an error were to occur, reduce the likelihood that the loss involved would be of this size.

Summary of Quarterly Results

The table below sets out selected quarterly information for the Company.

Belzberg Technologies Inc.

Summary of Quarterly Results

(Unaudited)

	FY 2008		FY 2007				FY 2006	
(\$000's except per share amounts)	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06	Q3 06
Revenue:								
Transaction fees:								
Equity order flow	\$ 3,157	\$ 3,779	\$ 3,455	\$ 3,395	\$ 4,142	\$ 4,209	\$ 4,515	\$ 3,709
Options and futures contracts	3,672	3,616	3,295	4,123	4,778	4,449	3,457	2,918
	6,829	7,395	6,750	7,518	8,920	8,658	7,972	6,627
Subscription fees	1,787	1,853	1,885	1,821	1,863	1,885	1,872	1,846
Other	358	342	328	347	322	355	344	324
Total Revenue	8,974	9,590	8,963	9,686	11,105	10,898	10,188	8,797
Expenses (Income)								
Exchange, clearing and other brokerage fees	3,136	2,320	2,236	2,232	3,504	3,230	3,464	2,700
Compensation and related benefits	2,951	2,780	2,598	2,668	2,715	2,801	2,654	2,040
Telecommunication and datafeed services	1,662	1,554	1,460	1,531	1,553	1,525	1,370	1,224
Administrative and other expenses	1,416	1,093	1,293	989	1,107	1,215	1,001	894
Strategic process expenses	-	-	-	93	10	88	34	214
Amortization of capital assets	496	485	434	396	347	330	322	326
Amortization of intangible assets	16	16	16	16	16	16	16	
Foreign exchange loss (gain)	58	59	156	158	344	188	(93)	35
Government assistance	-	-	(936)	-	-	-	(778)	-
Interest expense	-	-	2	2	2	5	20	5
Interest income	(149)	(187)	(221)	(215)	(194)	(181)	(154)	(121)
	9,586	8,120	7,038	7,870	9,404	9,217	7,856	7,317
Net earnings (loss) before taxes	\$ (612)	\$ 1,470	\$ 1,925	\$ 1,816	\$ 1,701	\$ 1,681	\$ 2,332	\$ 1,480
Provision for (recovery of) income taxes								
Current	-	7	123	-	-	-	247	-
Future	(184)	345	(263)	-	-	-	(1,796)	-
	(184)	352	(140)	-	-	-	(1,549)	-
Net earnings (loss)	\$ (428)	\$ 1,118	\$ 2,065	\$ 1,816	\$ 1,701	\$ 1,681	\$ 3,881	\$ 1,480
Earnings (loss) per share:								
Basic	\$ (0.03)	\$ 0.08	\$ 0.14	\$ 0.12	\$ 0.12	\$ 0.11	\$ 0.27	\$ 0.10
Diluted	(0.03)	0.07	0.14	0.12	0.11	0.11	0.25	0.10
Weighted avg number of common and common equivalent shares outstanding:								
Basic	14,846	14,791	14,786	14,682	14,665	14,635	14,596	14,278
Diluted	14,938	14,935	14,964	15,125	15,208	15,275	15,414	15,075
Capital asset expenditures	389	1,065	469	576	756	365	422	235
Total assets	39,816	41,121	41,272	35,804	35,360	33,837	31,103	26,445
Long term lease obligations	-	-	-	-	-	9	32	76
Shareholders' equity	35,450	35,862	34,592	32,459	30,083	28,298	26,412	22,260

Options and futures contracts revenue in the first and second quarters of 2007 increased mainly from higher trading volumes in our floor brokerage segment and from receiving additional revenue for certain options orderflow from the various options exchanges and from a specialist. Equity order flow revenue in the fourth quarter of 2006 increased by approximately \$0.6 million from the acquisition of the business and assets of the Nandra Group, Inc.

Compensation and related benefits in the fourth quarter of 2006 increased by approximately \$0.4 million from additional headcount related to the acquisition of the business and assets of the Nandra Group, Inc.

Government assistance in the fourth quarters of 2006 and 2007 relates to the recording of federal SR&ED tax credits not previously recognized based upon management's best estimate of federal ITC's that would be utilized to offset future Canadian federal income tax liabilities.

Transactions with Related Parties

During the quarter ended June 30, 2008, the Company's subsidiary, Electronic Brokerage Systems, LLC, paid seat lease expenses at market rates of approximately \$30,000 (period ended June 30, 2007 - \$12,000) and paid for execution services in the amount of \$43,000 (period ended June 30, 2007 - Nil) to a company controlled by the president of Electronic Brokerage Systems, LLC. For the six month period Electronic Brokerage Systems, LLC paid seat lease expenses at market rates of approximately \$50,000 (six month period ended June 30, 2007 - \$23,000) and paid for execution services in the amount of \$87,000 (six month period ended June 30, 2007 - Nil) to a company controlled by the president of Electronic Brokerage Systems, LLC. In addition, Electronic Brokerage Systems, LLC recorded transaction fee revenues for the second quarter of approximately \$3,000 (second quarter ended June 30, 2007 - \$3,000) from the same company. For the six-month period Electronic Brokerage Systems, LLC recorded transaction fee revenues of approximately \$7,000 (six months ended June 30, 2007 - \$5,000) from the same company.

Liquidity and Capital Resources

Financial Position

At June 30, 2008 the Company had cash and cash equivalents of \$22.6 million, a decrease of \$1.1 million from the \$23.7 million of cash and cash equivalents at March 31, 2008. The Company's working capital was \$28.9 million at the end of June 30, 2008 a decrease of \$0.4 million from the \$29.3 million at the end of March 31, 2008.

The Company's subsidiary Electronic Brokerage Systems has a US\$25 million clearing facility that is collateralized by an equivalent amount of cash and cash equivalents or securities held at the Bank. There were no amounts outstanding under this facility at June 30, 2008.

The Company's subsidiaries Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC ("RCS") are subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934 which requires the maintenance of minimum net capital. Under this rule, Electronic Brokerage Systems, LLC is required to maintain net capital equal to the greater of US\$500,000 or 2% of aggregate debit balances arising from customer transactions, as defined, and RCS is required to maintain net capital equal to the greater of US\$100,000 or 6-2/3% of aggregate indebtedness, as defined. As at June 30, 2008, Electronic Brokerage Systems, LLC and RCS had net capital of US\$12.6 million and US\$1.6 million and a net capital requirement of US\$500,000 and US\$100,000 respectively.

Electronic Brokerage Systems, LLC is currently required by the Options Clearing Corporation (“OCC”) to maintain minimum net capital of US\$2.0 million. At June 30, 2008, Electronic Brokerage Systems, LLC had net capital of US\$12.6 million.

Operating Activities

The Company utilized cash flow for operations of \$0.6 million for the quarter ended June 30, 2008 as compared to generating \$1.7 million of cash from operations for the quarter ended June 30, 2007. The decrease in the second quarter year over year cash flow from operations was due to the lower profitability of the Company offset by a positive change in non-cash working capital items. Non-cash working capital items increased in the second quarter on a year over year basis by \$0.6 million mainly as a result of the following:

- (i) The Company’s deposits with clearing and depository organizations decreased by \$0.7 million for the quarter ended June 30, 2008 as a result of trades that cleared up in the second quarter. This compared to an increase in deposits with clearing and depository organizations of \$1.3 million for the quarter ended June 30, 2007 due to (a) additional deposits required by the Options Clearing Corporation of \$0.8 million and (b) additional deposits of \$0.5 million at the National Securities Clearing Corporation (“NSCC”) for trades that had not cleared at quarter end (positive second quarter year over year change of \$2.0 million).
- (ii) Receivables from brokers, dealers and clearing organizations decreased by \$0.4 million for the quarter ended June 30, 2008 as a result of trades that cleared up in the second quarter and from lower deposits at a broker dealer. This compared to an increase in receivables from brokers, dealers and clearing organizations for the quarter ended June 30, 2007 as a result of higher margin deposits of \$0.2 million required for a futures contract account (positive second quarter year over year change of \$0.6 million).

These positive cash inflows for the second quarter were offset by:

- (i) The Company’s accounts payable balances decreased for the quarter ended June 30, 2008 by \$0.7 million as a result of paying for fixed assets purchased at the end of the first quarter. This compared to a decrease in accounts payable for the quarter ended June 30, 2007 of \$0.2 million (negative second quarter year over year change of \$0.5 million).
- (ii) Payable to brokers, dealers and clearing organizations decreased for the quarter ended June 30, 2008 by \$0.2 million as a result of trades that cleared up in the second quarter. There was no payable to brokers, dealers and clearing organizations in the quarter ended June 30, 2007 (negative second quarter year over year change of \$0.2 million).
- (iii) An increase in accounts receivable balances for the quarter ended June 30, 2008 of \$0.4 million as compared to a decrease of \$0.6 million in the quarter ended June 30, 2007 (negative second quarter year over year change of \$1.0 million).
- (iv) An increase in investment tax credits recoverable for the quarter ended June 30, 2008 of \$0.1 million for corporate minimum taxes paid in Canada (negative second quarter year over year change of \$0.1 million).

- (v) An increase in other asset of \$70,000 for the quarter ended June 30, 2008 as a result of the increase in value of foreign exchange contracts held. This compared to a decrease in other asset of \$63,000 for the quarter ended June 30, 2007 from the settlement of foreign exchange option contracts (negative second quarter year over year change of \$0.1 million).
- (vi) An increase in prepaid expenses and other receivables for the quarter ended June 30, 2008 of \$123,000 as compared to an increase of \$41,000 in the quarter ended June 30, 2007 (negative second quarter year over year change of \$0.1 million).

The Company generated positive cash flow from operations of \$2.7 million for the six months ended June 30, 2008 as compared to generating \$3.4 million of cash from operations for the six months ended June 30, 2007. The decrease in the six-month year over year cash flow from operations was mainly due to the lower profitability of the Company that was offset by a positive change in non-cash working capital items. Non-cash working capital items increased in the six-month year over year basis by \$2.7 million mainly as a result of the following:

- (i) The Company's deposits with clearing and depository organizations decreased by \$1.3 million for the six months ended June 30, 2008 as a result of trades that cleared up after year end. This compared to an increase in deposits with clearing and depository organizations of \$1.3 million for the six months ended June 30, 2007 due to (a) additional deposits required by the Options Clearing Corporation of \$0.8 million and (b) additional deposits of \$0.5 million at the National Securities Clearing Corporation ("NSCC") for trades that had not cleared at June 30, 2007 (positive six-month year over year change of \$2.6 million).
- (ii) Receivables from brokers, dealers and clearing organizations decreased by \$2.0 million for the six months ended June 30, 2008 as a result of trades that cleared up after year end and from lower deposits at a broker dealer. This compared to an increase in receivables from brokers, dealers and clearing organizations for the six months ended June 30, 2007 as a result of higher margin deposits of \$0.2 million required for a futures contract account (positive six month year over year change of \$2.2 million).
- (iii) An increase in accounts receivable balances for the six months ended June 30, 2008 of \$0.1 million as compared to an increase of \$0.7 million in the six months ended June 30, 2007 (positive six month year over year change of \$0.6 million).
- (iv) A decrease in other asset of \$0.3 million for the six months ended June 30, 2008 as a result of the decrease in value of foreign exchange contracts held. This compared to an increase in other asset of \$19,000 for the six months ended June 30, 2007 (positive six month year over year change of \$0.3 million).

These positive cash inflows for the six month period were offset by:

- (i) The Company's accounts payable balances decreased for the six months ended June 30, 2008 by \$0.3 million as compared to an increase in accounts payable for the six months ended June 30, 2007 of \$0.6 million (negative six month year over year change of \$0.9 million).
- (ii) Payable to brokers, dealers and clearing organizations decreased for the six months ended June 30, 2008 by \$1.9 million as a result of trades that cleared up after year-end. There was no payable to brokers, dealers and clearing organizations in the six months ended June 30, 2007 (negative six month year over year change of \$1.9 million).
- (iii) An increase in investment tax credits recoverable for the six months ended June 30, 2008 of \$0.1 million for corporate minimum taxes paid in Canada and the USA. This compared to a decrease in investment tax credits recoverable for the six months ended June 30, 2007 of \$0.1 million for a refund received (negative six month year over year change of \$0.2 million).
- (iv) An increase in prepaid expenses and other receivables for the six months ended June 30, 2008 of \$0.2 million as compared to an increase of \$0.1 million in the six months ended June 30, 2007 (negative six month year over year change of \$0.1 million).

Investing Activities

The Company utilized \$0.4 million of cash for investing activities in the quarter ended June 30, 2008 as compared to utilizing \$0.8 million of cash for investing activities in the quarter ended June 30, 2007. Investing activities consisted primarily of the acquisition of network equipment required to maintain high-speed connectivity between customers, the Company and a multitude of exchanges and other markets for live trade execution.

The Company utilized \$1.5 million of cash for investing activities in the six months ended June 30, 2008 as compared to utilizing \$1.1 million of cash for investing activities in the six months ended June 30, 2007. Investing activities consisted primarily of the acquisition of network equipment required to maintain high-speed connectivity between customers, the Company and a multitude of exchanges and other markets for live trade execution. The Company also made improvements to its datacentres in the first quarter of 2008.

Financing Activities

The Company utilized \$23,000 of cash for financing activities in the quarter ended June 30, 2008 as compared to generating \$5,000 of cash from financing activities in the quarter ended June 30, 2007. Financing activities in the quarter ended June 30, 2008 included proceeds from the exercise of employee stock options of \$14,000 and cash utilized for the repurchase of common shares under a normal course issuer bid of \$37,000. Financing activities in the quarter ended June 30, 2007 included repayment of capital lease obligations of \$35,000 and proceeds from the exercise of employee stock options of \$40,000.

The Company generated \$64,000 of cash from financing activities in the six months ended June 30, 2008 as compared to generating \$137,000 of cash from financing activities in the six months ended June 30, 2007. Financing activities in the six months ended June 30, 2008 included repayment of capital lease obligations of \$27,000, repurchase of common

shares under a normal course issuer bid of \$273,000 and proceeds from the exercise of employee stock options of \$364,000. Financing activities in the six months ended June 30, 2007 included repayment of capital lease obligations of \$65,000 and proceeds from the exercise of employee stock options of \$202,000.

Liquidity and Sources of Financing

The Company's subsidiary Electronic Brokerage Systems has a US\$25 million clearing facility that is collateralized by an equivalent amount of cash and cash equivalents or securities held at the Bank. There were no amounts outstanding under this facility at June 30, 2008.

The Company is currently generating year to date positive cash flow from operations that it is using to fund working capital requirements and purchase capital assets. The Company's wholly owned U.S. broker-dealer, Electronic Brokerage Systems, LLC, is required by the SEC and OCC to maintain specific levels of net capital (refer to financial position above) defined as assets minus liabilities less deductions for certain types of assets. Any changes in such net capital rules or the maintenance of the existing levels of net capital or any additional fund deposits required by the OCC as a result of the growth in the Company's options business may restrict the Company's ability to withdraw capital from its brokerage subsidiary to fund its working capital requirements. During the quarter ended June 30, 2007, the Company deposited an additional \$0.8 million with the OCC as a result of the growth in the Company's options business.

The Company is dependant upon Electronic Brokerage Systems, LLC to fund a certain portion of its working capital requirements and to fund a certain amount of its capital asset expenditures.

The Company believes that the cash flow generated from operations together with its clearing credit facility is sufficient to fund its cash requirements for the 2008 year.

Commitments and Contractual Obligations

These items are substantially unchanged from those disclosed in Company's annual MD&A for the year ended December 31, 2007.

Off-Balance Sheet Arrangements

The Company does not enter into off-balance sheet financing as a matter of practice except for the use of operating leases for office space and certain nominal equipment. In accordance with GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the criteria for capitalization.

The Company typically agrees in its sales contracts to indemnify its customers for any expenses or liability resulting from claimed infringements of patents, trademarks or copyrights of third parties. The terms of these indemnification agreements are generally perpetual any time after execution of the agreement. The maximum amount of potential future indemnification is generally limited as specified on a contract by contract basis. To date, the Company has not paid any amounts to settle claims or defend lawsuits.

Derivative Financial Instruments

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures (primarily U.S. and Canadian dollars). The Company has from time to time, entered into forward and option foreign exchange contracts intended to manage portions of this risk. The Company's financial derivative instruments are marked to market and are carried at fair value as assets or liabilities, as appropriate, with changes in fair value recognized in the statement of operations in the period in which they occur. The fair value of outstanding derivative financial instruments at June 30, 2008 and June 30, 2007 was based upon quoted market prices.

As at June 30, 2008, the Company had outstanding foreign exchange futures contracts for the purchase of CDN\$13.0 million at U.S.\$0.94 maturing in September 2008. The unrealized loss on these outstanding futures contracts was approximately \$0.2 million for the three-month period ended June 30, 2008. The Company also realized gains of approximately \$0.2 million for the three-month period ended June 30, 2008 on foreign exchange option contracts that were settled in the second quarter of 2008. For the six-month period ended June 30, 2008 the Company realized losses of approximately \$0.3 million on foreign exchange option contracts that were settled and had unrealized losses of approximately \$0.2 million on futures contracts that were not settled. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations.

As at June 30, 2007, the Company had outstanding foreign exchange futures contracts for the purchase of CDN\$9.2 million at U.S.\$0.9242 maturing in December 2007. The unrealized gain on these outstanding futures contracts was approximately \$0.2 million for the three-month period ended June 30, 2007. The Company also realized gains of approximately \$0.6 million for the three-month period ended June 30, 2007 on foreign exchange option contracts that were settled in the second quarter of 2007. For the six-month period ended June 30, 2007 the Company realized gains of approximately \$0.6 million on foreign exchange option contracts that were settled and had unrealized gains of approximately \$0.2 million on futures contracts that were not settled. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations.

Critical Accounting Policies and Estimates

These items are unchanged from those discussed in the Company's annual MD&A for the year ended December 31, 2007 except for the following:

Changes in accounting policies:

Effective January 1, 2008, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- "Financial Instruments – Presentation", Section 3863 and "Financial Instruments – Disclosures", Section 3862. The new disclosure standard increases Belzberg Technologies' disclosure regarding the nature and extent of the risks associated with financial instruments and how those risks are managed (See Note 9 to the interim consolidated financial statements). The

new presentation standard carries forward the former presentation requirements.

- “Capital Disclosures”, Section 1535. The new standard requires Belzberg to disclose its objectives, policies and processes for managing its capital structure (See Note 8 to the interim consolidated financial statements).

Recent accounting pronouncements including IFRS update:

As of January 1, 2009, Belzberg will be required to adopt the CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on Belzberg’s consolidated financial statements.

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan the AcSB confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As Belzberg will be required to report its results in accordance with IFRS starting in 2011, the Company is assessing the potential impacts of this changeover and developing its plan accordingly.

Risks and Uncertainties

The primary risks affecting the Company are substantially unchanged from those discussed in the Company's annual MD&A for the year ended December 31, 2007 except for the following:

Customer Dependence: For the three months ended June 30, 2008 three customers accounted for approximately 18% of total revenue (six months ended June 30, 2008 three customers for 16% of total revenue)

For the three months ended June 30, 2007 three customers accounted for 25% of total revenue (six months ended June 30, 2007 one customer accounted for approximately 11% of total revenue and three customers accounted for approximately 25%)

The loss of either of these significant customers would have a material and adverse effect on our revenues and results of operations.

Patent Information

The Company announced on May 19, 2006 that it had retained Donald E. Stout as a strategic advisor to handle the Company’s patent portfolio. The Company submitted the terms of a potential licensing arrangement with a firm that it believes is infringing on its

patent. The Company has not to date received a response to the potential licensing arrangement submitted and is currently reviewing with its counsel on how to proceed.

Reduction of Stated Capital

At the annual general meeting of shareholders held on May 15, 2008, a Special Resolution was carried by the shareholders of the Company reducing the stated capital account maintained in respect of the common shares of the Company by \$16.0 million. The Company's board of directors discussed the realizable value of the Company's assets, its liabilities and its stated capital at a meeting held on December 13, 2007. In order to give the Company's board of directors flexibility in managing the Company's capital structure going forward, the board decided to submit the Special Resolution to the Shareholders for their approval of the reduction of the stated capital of the Common Shares to address limitations under the *Ontario Business Corporations Act* which result from the historically high stated capital amount of the Common Shares. By reducing the stated capital of the Common Shares of the Company by \$16.0 million and by reducing the deficit of the Company by the corresponding amount, the Company would have flexibility for purchases of shares or payment of dividends.

Outstanding Share Data

Set out below is the outstanding share data for the Company as at August 1, 2008.

Common Shares:	14,844,439
Options to Purchase Common Shares:	
Issued and Outstanding	587,542

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at June 30, 2008, Belzberg's management, with the participation of the President and CEO and the CFO, evaluated the effectiveness of Belzberg's disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and concluded that such controls and procedures were effective.

Internal Controls Over Financial Reporting

There were no changes over the Company's internal controls over financial reporting during the period ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.